

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 COME-00 FEA-01 INT-05 L-03
CIAE-00 INR-07 NSAE-00 PA-02 PRS-01 USIA-15 OPIC-06
/061 W

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FM AMCONSUL WINNIPEG
TO SECSTATE WASHDC PRIORITY 1838
INFO AMEMBASSY OTTAWA PRIORITY
AMCONSUL TORONTO PRIORITY

UNCLAS WINNIPEG 0087

E.O. 11652: N/A
TAGS: EMIN, CA
SUBJ: SASKATCHEWAN TO BUY SECOND POTASH MINE

1. HUDSON BAY MINING AND SMELTING OF TORONTO HAS AGREED IN PRINCIPLE TO SELL ITS POTASH ASSETS TO THE PROVINCIAL CROWN AGENCY, POTASH CORP OF SASKATCHEWAN, FOR DOLS 144 MILLION IN CASH, ACCORDING TO MAR 8 TORONTO GLOBE AND MAIL.

2. FOLLOWING DETAILS OF STORY WERE CONFIRMED TO US BY SPOKESMAN FOR SASKATCHEWAN'S POTASH SECRETARIAT:
-- PURCHASE PRICE IS DOLS 144 MILLION IN CASH.
-- SO FAR, THERE IS ONLY AGREEMENT IN PRINCIPLE, I.E., LETTER OF INTENT HAS BEEN SIGNED TO PROCEED TO WORK OUT PURCHASE AGREEMENT, EXPECTED TO BE COMPLETED IN NEXT 4 - 6 WEEKS. PROBABLE TAKEOVER DATE IS APRIL 15.
-- ASSETS TO BE PURCHASED INCLUDE SYLVITE MINE NEAR ROCANVILLE, MINING EQUIPMENT, REFINERY, COMPANY HOUSING IN ROCANVILLE, AND A WAREHOUSE IN VANCOUVER.

3. ALTHOUGH NOT PUBLIC YET, SPOKESMAN INDICATED THERE WILL ALSO BE AGREEMENT TO GUARANTEE TO SUPPLY FOR PERIOD OF 5 YEARS CERTAIN AMOUNTS OF POTASH AT CERTAIN PRICES TO TERRA INTERNATIONAL
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CHEMICALS, A FERTILIZER COMPANY IN SIOUX CITY, IOWA, IN WHICH HUDSON BAY HAS 51 PER CENT INTEREST.

4. SYLVITE MINE HAS RATED CAPACITY OF 1.2 MILLION TONS PER YEAR, SAME AS DUVAL MINE WHICH SASKATCHEWAN ACQUIRED EARLIER. COMBINED PRODUCTION OF TWO MINES WILL GIVE PROVINCE CONTROL OVER

ABOUT 17 PER CENT OF TOTAL SASKATCHEWAN PRODUCTION OF 13 MILLION TONS/YEAR.

5. ACCORDING TO POTASH SECRETARIAT SPOKESMAN, FOLLOWING IS STATE OF PLAY INVOLVING OTHER POSSIBLE ACQUISITIONS:

-- ALWINSAL: VALUATION COMPLETED, PRELIMINARY TALKS HAVE TAKEN PLACE, BUT NO NEGOTIATIONS SO FAR.

-- CENTRAL CANADA POTASH: VALUATION NOT YET COMPLETED. NO DECISION YET ON WHETHER NEGOTIATIONS WILL TAKE PLACE.

-- ALLAN MINE: VALUATION BEGAN JUST LAST WEEK.
HUTSON

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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